



STATE OF WASHINGTON  
WASHINGTON STATE LIQUOR CONTROL BOARD  
3000 Pacific Ave SE • PO Box 43093 Olympia WA 98504-3093 • (360) 664-1600

## **Notice of Revised Rules Regarding Washington State Beer and Wine Taxes**

The purpose of this memo is to explain the attached new rules regarding beer and wine tax payment requirements. These rules will be effective on September 1, 2000.

### **Why did the Liquor Control Board change these rules?**

Governor Locke issued an Executive Order that requires state agencies to review all of their existing rules, as well as all policies that directly affect the public. The purpose of this review is for agencies to work with stakeholders to evaluate the effectiveness, clarity, fairness, and statutory intent of the agency's rules.

The attached rule language regarding beer and wine tax payment requirements is a result of a review process by a Liquor Control Board process improvement team, the agency's licensees, and public participants.

### **When do the new rules become effective?**

September 1, 2000.

### **Summary of new rules. How are these rules different from existing rules?**

The new rules replace parts of existing WAC chapters 314-20 and 314-24 and outline the beer and wine tax reporting and payment requirements for the following licensees:

- Washington beer and/or wine distributors
- Washington beer and/or wine importers
- domestic breweries
- domestic breweries/brand owners
- microbreweries
- domestic wineries
- public houses
- beer certificate of approval holders
- wine certificate of approval holders

<b>DEFENDANT'S EXHIBIT</b>	
CASE NO.	C04-0360P
EXHIBIT NO.	537

Resp to Costco RFP  
4901

The new rules make the following changes to current rules:

- Moves the beer tax liability from breweries to beer distributors, making this process consistent with wine tax collection:
  - Beer distributors will pay the beer tax directly to the state, as opposed to paying the equivalent amount to the brewery in the form of product price markup.
  - Beer distributors will begin paying the Washington State excise tax on the September report, which is due by October 20<sup>th</sup> (the same timelines that currently exist for wine).
  - Beginning with the September report, which is due October 20<sup>th</sup>, Washington breweries and beer certificate of approval holders will no longer pay the Washington State excise tax with their monthly reports.
- Eliminates the mandatory surety bond requirement for all licensees with a tax liability. This has been replaced with a bonding requirement only for those licensees consistently late in reporting and paying taxes.
- Adds an option for an assignment of savings account as an alternative to acquiring a surety bond.

How do these new rules affect price postings?

Type of licensee	Instructions
Washington breweries, beer importers, and beer certificate of approval holders	<ul style="list-style-type: none"> <li>• These licensees should revise their posted prices for sales to distributors so the prices <b>no longer</b> include a markup for the Washington State tax. The tax will be paid by the first Washington distributor to receive the product (per WAC 314-19-015(2)).</li> <li>• File these revised prices by July 25<sup>th</sup>, with revisions by August 1, 2000. The effective date of the revised prices will be September 1, 2000.</li> </ul>
Beer distributors	<ul style="list-style-type: none"> <li>• The distributors' posted prices for sales to retailers will not change due to the shift in tax liability. The posted prices should continue to include a markup for the tax as it remains part of the distributors' acquisition cost.</li> <li>• The distributors' posted price to other distributors (subjobbing) should include a markup for the tax if the selling distributor wishes to recoup the tax dollars.</li> </ul>

What are the changes to the beer reporting forms?

- The Board is developing new beer reporting forms, which will be sent to all licensees well in advance of the October 20<sup>th</sup> filing deadline.
- The new reports will show the total quantity sold to or purchased from a licensee, rather than each individual invoice for the month.
- The reports are more user-friendly and will also be available in an Excel format with built-in formulas.

The Board continues to study the feasibility of creating an Internet-based filing system, similar to that used for price posting, and the possibility of electronic funds transfer for the tax payment.

### When can existing surety bonds be cancelled?

All current surety bonds may be cancelled effective September 1, 2000. Contact your surety company to process the cancellation. Submit the cancellation notice to:

Washington State Liquor Control Board  
Manufacturers, Importers, and Wholesalers Section  
PO Box 43093  
Olympia WA 98504-3093

See WAC 314-19-020 for information on surety bond and assigned savings account requirements.

### Contacts:

For beer reporting forms and tax liability questions:

- Kathy Payne (360) 664-1691 [kp@liq.wa.gov](mailto:kp@liq.wa.gov)
- Sun Taylor (360) 664-1681 [st@liq.wa.gov](mailto:st@liq.wa.gov)

Washington State licensees may also contact their local Liquor Control Board auditor:

Auditor	Phone	Email
Steve Benson	509-783-5940	<a href="mailto:sbb@liq.wa.gov">sbb@liq.wa.gov</a>
John Craighill	360-753-1680	<a href="mailto:jc@liq.wa.gov">jc@liq.wa.gov</a>
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Greg Wood	253-288-1121	<a href="mailto:gdw@liq.wa.gov">gdw@liq.wa.gov</a>

For price posting and surety bond questions:

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- Heidi Whisman (360) 664-1641 [hmw@liq.wa.gov](mailto:hmw@liq.wa.gov).